

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 IO-13 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-15 NIC-01 OMB-01 COME-00 EB-11 LAB-06 SIL-01

NEA-10 AF-10 TRSE-00 MBFR-03 SAJ-01 INT-08 SCEM-02

RSR-01 /182 W

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R 091230Z AUG 73

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 4626

INFO AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY BONN

USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 VALLETTA 1625

E.O. 11652: GDS

TAGS: PINT, MT

SUBJ: MALTA: CURRENT POLITICAL SITUATION

REF: A-92, APRIL 26, 1973

1. SUMMARY: THE RISING OF PARLIAMENT ON JULY 31 FOR A SUMMER RECESS LASTING UNTIL OCTOBER 1 AND THE APPROACH OF THE MIDWAY POINT OF THE CURRENT MINTOFF ADMINISTRATION SEEMS AN APPROPRIATE POINT TO ASSESS THE POLITICAL SITUATION AND TO TAKE A LOOK AT THE FUTURE. WE BELIEVE THAT MINTOFF'S POLITICAL FORTUNES ARE SLOWLY BEGINNING TO IMPROVE, BUT THAT IF ELECTIONS WERE HELD IN THE COMING MONTHS, HE WOULD LOSE. HOWEVER, PROVIDED HE IS ABLE TO MAKE A SIGNIFICANT DENT IN THE UNEMPLOYMENT LEVEL, CONTINUES TO IMPROVE PUBLIC HOUSING, AND THE ECONOMY CONTINUES GENERALLY TO IMPROVE, HE MAY BE RETURNED TO OFFICE IF ELECTIONS ARE HELD TOWARD THE END OF HIS TERM. ELECTIONS MUST BE HELD
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BEFORE NOVEMBER 16, 1976. WE STILL DOUBT THAT HE WILL REACH HIS SELF-IMPOSED GOAL OF ECONOMIC INDEPENDENCE BY 1979. THE DISCOVERY OF SIGNIFICANT QUANTITIES OF OIL OR DIRECT AND SUBSTANTIAL PAYMENTS FROM LIBYA OR ELSEWHERE COULD,

HOWEVER, RELEASE HIM FROM THE NEED TO MAINTAIN BRITISH FORCES ON THE ISLAND. OTHERWISE, IT SEEMS LIKELY THAT HE WILL CONTINUE TO NEED THE INCOME FROM A RENEWAL OF THE BASE AGREEMENT.
END SUMMARY.

2. THE GENERAL IMPRESSION OF THE MALTESE POLITICAL-ECONOMIC SITUATION IS THAT OF LOW KEY PROGRESS, BUT NOT AT A RATE WHICH WILL PRODUCE SELF-SUFFICIENCY BY 1979. AT THE SAME TIME, THE SCENE IS ENLIVENED BY MINTOFF'S FOREIGN AFFAIRS ACTIVITIES, AND MARKED BY A FEW PERCEPTIBLE TRENDS, SOME CONTRADICTORY. CONSIDERABLE UNCERTAINTY PERSISTS AS TO MINTOFF'S INTENTIONS IN ECONOMIC DEVELOPMENT POLICY, GOALS AND PRIORITIES.

3. A GROUND SWELL OF DISSATISFACTION AMONG LABOR SUPPORTERS THROUGHOUT THE COUNTRY HAS LED TO INCREASING PUBLIC CRITICISM. ALTHOUGH MINTOFF RETAINED CONTROL OF THE ANNUAL LABOR PARTY GENERAL CONFERENCE THIS SPRING, IT WAS NOT WITHOUT DIFFICULTY, AND WE UNDERSTAND THAT HE WAS DECISIVELY DEFEATED ON SEVERAL ISSUES. FORMER TRADE MINISTER MICALLER STAFRACE CONTINUES TO WRITE ARTICLES IN THE GENERAL WORKERS' UNION IT-TORCA OPENLY CRITICAL OF MINTOFF PERSONALLY, AND HIS GOVERNMENT. MINTOFF'S INACCESSIBILITY, ABILITY TO DELEGATE AND ISOLATION FOR MEMBERS OF HIS PARLIAMENTARY GROUP HAVE LED, FOR THE FIRST TIME SINCE HIS ASSUMPTION OF OFFICE TO OPEN CRITICISM FROM LABOR M.P.S IN THE PARLIAMENT. ONE CABINET MINISTER HAS TOLD US THAT HE WILL NOT RUN AGAIN, AND TWO LONGTIME STRONG AND INFLUENTIAL SUPPORTERS, FORMER POLICE COMMISSIONER BENCINI AND EX-DEVELOPMENT CORPORATION GENERAL MANAGER CARM FARRUGIA, SPEAK OPENLY AGAINST MINTOFF. THE DRYDOCKS WORKERS, TRADITIONALLY AN IMPORTANT LABOR POWER BASE, ARE DISSATISFIED WITH THE NEW MINTOFF-IMPOSED WORK RULES AND WAGES. THE GWU PRESS GENERALLY HAS SUPPORTED THE LABOR PARLIAMENTARIANS CRITICAL OF GOM, AND MAINTAINED THAT SELF-CRITICISM WAS A GOOD THING. THE PUBLIC SEEMS GENERALLY DISSATISFIED, LARGELY OVER UNEMPLOYMENT AND RISING PRICES. (IN FACT, MALTA'S INFLATION HAS
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BEEN MODEST COMPARED TO OTHER WESTERN EUROPEAN COUNTRIES.)

4. TO SOME DEGREE, THE GRUMBLING AT HOME IS OFFSET BY MINTOFF'S ACTIVITY IN THE FIELD OF FOREIGN POLICY. HE HAS MAINTAINED A STEADY FLOW OF FOREIGN MISSIONS AND DISTINGUISHED VISITORS, INCLUDING THE PRIME MINISTERS OF BELGIUM AND AUSTRIA IN RECENT MONTHS. HE MADE A LARGE SPLASH AT THE CSCE IN HELSINKI WHICH HAS BEEN PLAYED LOCALLY AS A MAJOR SUCCESS. CURRENTLY HE IS IN OTTAWA FOR THE COMMONWEALTH PRIME MINISTERS MEETING. WHILE HIS CULTIVATION OF LIBYA AND IMBALANCE ON THE ARAB-ISRAELI ISSUE DRAW SOME FIRE FROM THE OPPOSITION, MINTOFF KEEPS

HAMMERING ON THE DANGERS OF WAR IN THE MEDITERRANEAN. TO THE MALTESE, HE CAN CLAIM CONVINCINGLY THAT HE PERSONALLY HAS CREATED AN INTERNATIONAL ROLE FOR MALTA FAR OUT OF PROPORTION TO ITS SIZE.

5. THE NATIONALISTS OPPOSITION HAS ALMOST COMPLETELY FAILED TO TAKE ADVANTAGE OF LABOR'S VULNERABILITIES. WHILE OCCASIONALLY MAKING SOME TELLING DEBATING POINTS, THEY HAVE LARGELY FAILED TO DEMONSTRATE THE STRENGTH ONE WOULD EXPECT FROM AN OPPOSITION ALMOST AS STRONG IN NUMBERS AS THE PARTY IN POWER. THE RECENT FOREIGN POLICY DEBATE WAS A GOOD EXAMPLE OF THEIR ABILITY TO LET OPPORTUNITY SLIP THROUGH THEIR FINGERS. IF THEY WERE TO TAKE ONE OR TWO REAL PROBLEM AREAS, E.G., UNEMPLOYMENT, AND HAMMER AWAY AT THEM IN EVERY SITTING, THEY MIGHT AT LEAST GET MINTOFF SUFFICIENTLY ANGRY, AS HE SOMETIMES DOES, TO MAKE STATEMENTS THAT CAN BE USED AGAINST HIM. FURTHER, THEY HAVE ALMOST ENTIRELY DEVOTED THEMSELVES MERELY TO OPPOSE WITHOUT DEMONSTRATING A CAPABILITY TO PROVIDE ALTERNATIVE IDEAS OR PROPOSALS.

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6. DESPITE THE FOREGOING, WE DO NOT ANTICIPATE ANY CHANGES IN NATIONALIST LEADERSHIP. ALTHOUGH WHAT LOCALLY PASSES FOR A SHADOW CABINET HAS BEEN AGREED UPON, IT HAS ONLY BEEN LEAKED THROUGH AN INDEPENDENT PAPER. THE NATIONALIST WHIP HAS TOLD US THAT THIS IS BECAUSE THEY

FEAR THAT PEOPLE WHO VOTED FOR FORMER CABINET MINISTERS MIGHT NOT DO SO IN THE NEXT ELECTION IF THEY KNEW THAT THEIR MAN WOULD NOT BE A MEMBER OF ANY NEW NATIONALIST CABINET.

7. UNDER MALTA'S ELECTORAL SYSTEM, THE OVERALL STRENGTH OF ANY ONE PARTY IS SECONDARY TO THE POPULARITY OF THE INDIVIDUAL CANDIDATES IN THEIR ELECTORAL DISTRICT. MINTOFF'S FAILURE TO PROVIDE LABOR M.P. S WITH THE MEANS TO REWARD THEIR SUPPORTERS IS PROBABLY THE MAJOR REASON THAT SOME HAVE DECIDED TO TAKE UP CRITICALLY IN PARLIAMENT ISSUES OF IMPORTANCE TO VOTERS IN THEIR LOCAL DISTRICTS. IF ONE ACCEPTS, AS WE DO, THAT THE INDEPENDENT OR "SWING" CONFIDENTIAL

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VOTERS, PARTICULARLY IN GOZO AND DISTRICT FIVE, WON THE ELECTION FOR MINTOFF, IT IS LIKELY THAT THOSE SAME VOTERS WOULD SWING THE OTHER WAY IF ELECTIONS WERE HELD IN THE NEAR FUTURE.

8. YET, TIME SHOULD BE ON THE SIDE OF LABOR. IN ADDITION TO THE OBVIOUS PLUSES OF EXPORT AND TOURISM INCREASES (THE LATTER HAS HAD AT LEAST AN OUTWARD STIMULATING EFFECT). THERE IS SOME SENSE OF FORWARD MOVEMENT IN OTHER AREAS. RELATIVELY SMALL THINGS LIKE IMPROVED HOUSING, PAVING OF ROADS, IMPROVEMENTS IN PUBLIC PARKS, CLEANER BEACHES, ALL ARE CREATING A POSITIVE ATMOSPHERE LACKING SINCE THE MLP CAME TO POWER. FISHERMEN AND FARMERS ARE GETTING SPECIAL ATTENTION FROM THE GOVERNMENT AND FOR THE FIRST TIME ARE GETTING SIGNIFICANT SUPPORT.

9. IN SPITE OF A CRUDE UNEMPLOYMENT FIGURE AT ABOUT 8 PER CENT OF THE WORKING POPULATION, THERE IS NO OBVIOUS SUFFERING. THE MALTESE HAVE AN ABILITY TO SURVIVE AT A VERY LOW LEVEL OF INCOME, AND WITHIN MOST FAMILIES THERE IS AT LEAST ONE WAGE EARNER. (THE MALTESE WORKING CLASS LIVES LARGELY ON PASTA, LOCAL VEGETABLES, RICOTTA-FOR PROTEIN- AND SUBSIDIZED BREAD. WE ARE TOLD THAT A SKILLED DRYDOCKS WORKER, MARRIED WITH TWO OR THREE CHILDREN, CAN SAVE HALF OF HIS 1.000 MALTA POUNDS PER ANNUM SALARY. A LOCAL LAWYER TOLD US THAT TWO SUCH WORKERS CAME TO SEE HIM RECENTLY FOR ADVICE ON INVESTING ABROAD.)

10. IF MINTOFF FINDS IT POSSIBLE TO RESTRAIN INFLATION AND AT THE SAME TIME INCREASE WAGES AND SOCIAL ASSISTANCE PAYMENTS, PUBLIC WORKS SPENDING, PARTICULARLY ON READS AND HOUSING, AND INTRODUCE GENERALLY EXPANSIONARY BUDGETS IN THE NEXT TWO YEARS, THE POSITION OF THE MLP WILL BE STRONGLY ENHANCED. EVEN IF HE DOESN'T SOLVE THE UNEMPLOYMENT PROBLEM, THE PIONEER CORPS CONCEPT WILL GIVE SOME IMMEDIATE RELIEF DEPENDING ON THE FINAL LEVEL OF RECRUITMENT, WHICH HAS BEEN AIMED AT A TOTAL OF 4,000 WHEN COMPLETED.

IF SOME OF THE EXISTING INDUSTRY CAN CONTINUE TO EXPAND, AND
IF SOME OF THE HITHERTO MODEST NEW INVESTMENTS OF THE PAST
YEAR TAKE ROOT, IT COULD OFFSET THE SCHEDULED RUNDOWN OF
MALTESE EMPLOYED BY THE BRITISH FORCES. EMIGRATION WILL
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PROBABLY PROVIDE A MODEST SAFETY VALVE, ALTHOUGH LARGELY
AT THE COST OF YOUNG SKILLED WORKERS.

11. THE SITUATION AT THE MALTA DRYDOCKS CORPORATION IS AN
IMPONDERABLE. AS THE LARGEST INDUSTRIAL EMPLOYEE BY FAR
(NEARLY 5,000) THE MDDC HAS PROVED AN INTRACTABLE
ECONOMIC PROBLEM. ALMOST EVERYONE CONCEDES THAT THE
MDDC NEEDS NO MORE THAN 3000 TO 3500 WORKERS, YET IT
IS A POLITICAL IMPOSSIBILITY FOR THE LABOR PARTY TO PUT THE
EXCESS ON THE STREETS. MINTOFF MADE CLEAR LAST DECEMBER
THAT HE WAS UNWILLING TO CONTINUE TO MAKE UP AN ANNUAL
DEFICIT OF SOME 2 MILLION POUNDS MALTA. IF THE DEFICIT COULD BE
REDUCED TO 500,000 POUNDS MALTA, THE MDDC COULD BE JUSTIFIED AS A
PART-BUSINESS, PART-SOCIAL WELFARE INSTITUTION WAITING
EITHER FOR THE SUEZ CANAL TO RE-OPEN OR FOR ATTRITION TO SOLVE
ITS OVEREMPLOYMENT, BUT THIS IS NOT YET IN SIGHT. TWO FRENCH
EXPERTS, THE LATEST IN A LONG SERIES, ARE NOW WORKING
ON THE PROBLEM.

12. AN INDICATION OF WHETHER THE FOREGOING PLUSES AND MINUSES
ADD UP TO A NET POSITIVE PICTURE OF THE LABOR PARTY MIGHT BE
SHOWN IN THE REFERENDUM THIS FALL IN GOZO ON CONTINUED
EXISTANCE OF ITS CIVIC COUNCIL. THE EFFICACY OF THE COUNCIL
HAS BEEN QUESTIONED OVER THE YEARS BY BOTH MALTESE AND
GOZITANS, BUT ONE SUSPECTS THAT THE REAL REASON BEHIND THE
REFERENDUM IS THAT MINTOFF WANTS TO REPLACE ITS SPECIAL
SEMI-INDEPENDENT CONTROL OVER LOCAL FINANCES AND PUBLIC
WORKS PROJECTS WITH CENTRAL GOVERNMENT CONTROL. GOZITANS
ARE ESPECIALLY INDIVIDUALISTIC, HOWEVER, AND A VOTE
FOR RETENTION OF THE COUNCIL COULD BE REFLECTION OF
LOCAL PRIDE AS MUCH AS ANTI-MLP SENTIMENTS. WE WILL,
OF COURSE, WATCH THIS CLOSELY.

13. MANY ANTI-MINTOFF OBSERVERS BELIEVE THAT A SUCCESSFUL
(FOR THE GOVERNMENT) GOZO REFERENDUM WILL BE USED AS
JUSTIFICATION FOR FURTHER REFERENDA DESIGNED TO PROVIDE
MINTOFF WITH POPULAR, IF NOT LEGAL, BACKING FOR CHANGES
IN THE CONSTITUTION DESIGNED TO KEEP HIM IN POWER BEYOND
HIS CURRENT TERM OF OFFICE, E.G., CHANGES IN THE ELECTORAL
SYSTEM, AND TO REMOVE WHAT HE CONSIDERS AS ELEMENTS OF
THE CONSTITUTION FORCED ON THE MALTESE BY THE NATIONALISTS
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AND THE BRITISH.

14. EVEN IF MINTOFF REGAINS POPULARITY FOR HIMSELF AND THE MLP GENERALLY AND WINS THE NEXT ELECTION, IT IS DOUBTFUL THAT HE WILL REACH HIS GOAL OF ECONOMIC SELF-SUFFICIENCY BY 1979 WHEN THE UK-MALTA BASED AGREEMENT EXPIRES. BUT HIS VERY SUCCESS IS DOING SO COULD WELL ENCOURAGE HIM TO ATTEMPT TO GO IT ALONE, WITHOUT UK/NATO PAYMENTS AND THE LOCAL EXPENDITURES AND EMPLOYMENT BY THE BRITISH FORCES. THE DISCOVERY AND EXPLOITATION OF SIGNIFICANT QUANTITIES OF OFFSHORE OIL, OR ARRANGEMENTS FOR SUBSTANTIAL FINANCIAL SUPPORT FROM LIBYA OR ELSEWHERE (BOTH DOUBTFUL SO FAR) COULD, OF COURSE, MAKE THE DECISION EASIER FOR HIM. IT IS AT LEAST AS LIKELY, HOWEVER, THAT EVEN IF MINTOFF IS IN POWER IN 1979 HE WILL NOT BE IN THE FINANCIAL OR PSYCHOLOGICAL POSITION TO FORCE THE BRITISH OUT, AND HE WILL NEED TO EXTEND THE BASE AGREEMENT. WHETHER THE CONTRIBUTING NATO COUNTRIES WOULD CONTINUE TO PAY FOURTEEN MILLION POUNDS PER ANNUM IS ANOTHER QUESTION.
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